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1 February 1952

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Copy No.

49

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 43
NO CHANGE IN CLASS.
IF DECLASSIFIED
CLASS. CHANGED TO: TS
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 12-19-79 REVIEWER:

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DOS review(s) completed.

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FAR EAST

1. Japanese Government concerned over Moscow Conference invitations:

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The Japanese Government is concerned over possible public reaction and Soviet displeasure if it refuses passports for travel to the Moscow economic conference

in April, according to US Political Adviser Sebald in Tokyo. Although the government is anxious to discourage Japanese attendance, some business leaders strongly urge participation on the grounds that refusal to send delegates would deny Japan valuable economic information, automatically write off trade with the USSR and Communist China, and unnecessarily antagonize the USSR. In view of increasing public interest in the conference, Sebald comments that government refusal to grant passports may magnify the matter unduly and result in unfavorable repercussions.

Comment: The Japanese Government's sensitivity on this subject is reflected in the hedging statements of officials before the Diet that it was "not desirable" for Japanese to attend.

2. South Korea may appeal to President Truman on inflation problem:

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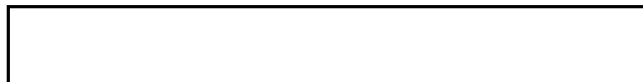
Ambassador Muccio states that in view of the acute inflation in South Korea the Republic now contemplates an appeal to President Truman and to the nations

fighting in Korea to make provisions for reimbursing the South Korean currency advances to the UN forces.

Ambassador Muccio observes that economic deterioration is too severe for a piecemeal solution and recommends that the unified command urgently consider sending a group to Pusan immediately with full authority to draw up an overall economic and financial program for South Korea.

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Comment: The two principal issues preventing the stabilization of the economy are the failure of the unified command and the Republic of Korea to reach an agreement on economic aid and the failure to reimburse South Korea for the local currency advances to UN forces. One effect of the resulting inflation has been a 33 percent rise in Seoul rice prices since early December.

3. French disturbed over uncertain loyalty of Tonkin population:

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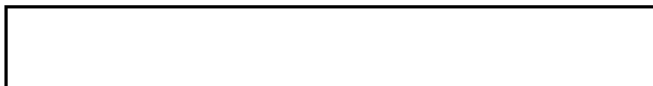
A high French official has admitted to the US Consul in Hanoi that the recent heavy infiltration of the Tonkin delta by the Viet Minh presents a grave problem.

The uncertain loyalty of the delta population is being undermined by the "untoward behavior" of French troops toward the local peoples, which contrasts with the studiously proper behavior of Viet Minh forces.

The US Consul comments that Minister of Associated States Letourneau, who is visiting in Tonkin, appears to be acutely aware that the French are losing the "battle for men's minds" in the delta area.

Comment: The Tonkin delta area is the major source of food and manpower for the Viet Minh army. As long as the Viet Minh retains its influence there, French efforts to gain complete victory in Indochina will fail.

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6. Greek Prime Minister refuses to halt purge of pro-Papagos officers:

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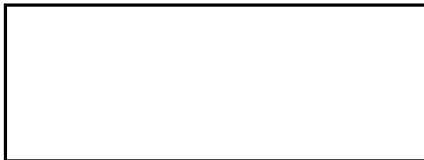
Prime Minister Plastiras does not intend to discourage the purge of pro-Papagos officers now going on in the Greek armed forces. When the issue was raised by the American Ambassador, Plastiras stated that he would not interfere with the Minister of National Defense and the King in their efforts to restore "unity in the armed forces." In fact, he gave the Ambassador the impression that he sympathizes with the objectives of the purge and resents US interference.

Comment: Plastiras' unwillingness to use his influence to stop the reintroduction of politics into the army indicates that the purge will continue, unless the American Government takes strong action. The purge, rapidly becoming the major political issue in Greece, will undoubtedly further weaken the government by stimulating opposition efforts to obtain control.

WESTERN EUROPE

7. French budget deficit threatens NATO program:

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France is budgeting for less than half the funds needed to meet 1952 NATO requirements for French forces in Europe. Ambassador Bruce states that this will necessitate a revision in the plans for NATO support installations in France.

The Ambassador fears that a drastic curtailment of the French military program might lead to a demand for a definite agreement prohibiting a larger defense contribution by Germany than by France.

Comment: The gap between the budget figure and NATO's recommendations is equivalent to France's burden in Indochina, which the French have consistently stressed they cannot carry if NATO commitments are to be met. The recent NATO analysis of French defense capabilities is forcing France to admit that its earlier commitments were unrealistic.

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